

Montana Claims Service of Kalispell

MCS

P.O. Box 7865 • 307 First Avenue East, Ste. 14 • Kalispell, MT 59904
(406) 755-5141 • Fax: (406) 755-5142

August 1, 2001

Mel & Lerah Parker
P.O. Box 609
Libby, MT 59923

RE: Insured : Parker, Mel & Lerah
Our File No. : 68467

FIRST REPORT

ENCLOSURES:

1. Letter from EPA - July 18, 2001.
2. MCS Interim Service Invoice.

REMARKS: On or about July 6, I was contacted by Eric Thuesen, a Helena attorney. Mr. Thuesen represented Mel & Lerah Parker in their claim against the W. R. Grace Company. Mr. Thuesen was considering a casualty adjustment on selected buildings. His intent was to present the adjustment to the EPA on behalf of Mr. & Mrs. Parker. He asked if I would consider the assignment and, if so, I should contact Mr. & Mrs. Parker to discuss.

I did so and, after agreeing on terms, accepted the assignment. The following report is a casualty adjustment or, better defined, my conclusions on both the replacement cost and the actual cash value. I completed the adjustment as if the structures in question had been destroyed as a result of an insurable peril.

Replacement cost is the cost of replacing lost or damaged property with new property of like, kind and quality, at prices current at the time the property was damaged. Actual cash value are loss settlements based, for purposes of this report, on replacement cost less depreciation or physical wear and tear.

WORK ACCOMPLISHED: I completed adjustments on twelve structures. The source material for method and type of construction was Lloyd Barries's appraisal, interviews with Mel & Lerah Parker, inspection of the property and various photographs supplied by my clients.

I used several source materials for the replacement cost and ACV analysis including Martin D. Kiley's National Building Cost Manual - 1998; The Adjusters Blue Book - 1997; Boeckh Guide - 1998, Residential Building Cost Guide; Property Loss Adjustment by James J. Markham, Insurance Institute of America and 30 years experience as a large loss property adjuster.

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FINAL REPLACEMENT COST ADJUSTMENT:

1. Dwelling	Replacement Cost	\$94,198.64
Additional Costs	Solarium	8,095.52
	Deck	1,793.60
2. Office	Replacement Cost	52,585.08
3. Steel Building	Replacement Cost	715,280.00
4. Concrete Tunnels	Replacement Cost	101,376.00
5. Shade House	Replacement Cost	10,018.80
6. Fruit Stand	Replacement Cost	4,503.68
7. Greenhouses	Replacement Cost	173,856.00
8. West Shed	Replacement Cost	34,425.00
9. Break Room	Replacement Cost	2,648.78
10. Reishi Lab	Replacement Cost	15,092.00
11. Extraction Lab	Replacement Cost	13,720.00
12. Mobile Home	ACV	<u>4,500.00</u>
TOTAL		\$1,232,093.10

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REPLACEMENT COST COMPUTATIONS:

<u>1. DWELLING</u> - built in 1994	1592 Square Feet	
Class 2 - good quality		
Basic square feet Cost = \$60.38	60.38	
Minus 2 % for slab foundation	(1.21)	
Square feet cost	59.17	
1592 square feet @ \$59.17 Replacement Cost		94,198.64
 Additional Costs		
Solarium 45% of square feet cost or	26.63	
Solarium 304 square feet @ \$26.63		8,095.52
Open Wood Deck - good quality		
152 square feet @ \$11.80		1,793.60
 Adjusted Replacement Cost on Dwelling		\$104,087.76
 <u>2. OFFICE</u> - Built in 1975	816 square feet	
Class 3 - Average quality		
Basic square feet cost + \$75.38	816 @ \$75.38	61,510.08
Minus 51 L.F. @ \$175.00 for common wall		(8,925.00)
 Adjusted Replacement Cost on Office		\$52,585.08
 TOTAL DWELLING AND OFFICE		\$156,672.84

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3. STEEL BUILDING - built in 1975 140 x 280 x 30 - 39,200 square feet

Basic square feet cost \$11.60 \$11.60 square feet

Additions

.21 cents for each L.F. over 14: 16 L.F. x .21 = 3.36 square feet

Live load adjustment factor 30# for heavy snow area = 1.24 square feet

Reinforced concrete with rebar on a sand fill = 1.20 square feet

Roof - 22 gauge galvanized = .50 square feet

Additional welded walls with heavy galvanized steel siding = .60 square feet

SUB TOTAL \$18.50 square feet

39,200 square feet @ \$18.50 = \$725,200.00

Deductions

For open end wall (9,920.00)

Adjusted Replacement Cost on Long Shed \$715,280.00

4. CONCRETE TUNNELS (UNDER LONG SHED)

Tunnels are approximately 850 foot in length average width,

5 feet, average height 6 1/2 feet

1056 cubic yards of reinforced concrete, in place reinforced 12" thick

1056 @ \$73.50 per yard material = \$77,616.00

1056 @ \$22.50 per yard labor = 23,760.00

Adjusted Replacement Cost on Tunnels \$101,376.00

5. SHADE HOUSE 2070 square feet

Agricultural quality (similar to Equipment Shed)

No electrical - was plumbed - #3 (low) class

Basic cost per square feet 6.05

Less .20% for steel frame 6.05 x .20 = (1.21)

Sub Total 4.84

Adjusted Replacement Cost on Shade House - 2070 square feet @ \$4.84 = \$10,018.80

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6. FRUIT STAND - 1997

992 square feet

Agricultural Quality (Similar to Equipment- Shed)

No electrical - no plumbing

Basic cost per square feet

6.05

Less - 25% for steel frame, no electricity,

no plumbing $6.05 \times .25 =$

(1.51)

Sub Total

\$4.54

Adjusted Replacement Cost on Fruit Stand - 992 square feet @ \$4.54 =

\$4,503.68

7. GREEN HOUSES - ALL ERECTED BETWEEN 1994 & 1997

1) (4) Green houses - $30 \times 172 = 5160$ square feet

2) (1) Green house - $30 \times 84 = 2520$ square feet w/ 720 square feet frame extension

(Also known as the south green house)

4 Green houses @ \$6.05 Material & \$1.25 to erect,

$5160 \text{ square feet} \times 4 = 20,640 \times \$7.30 =$

\$150,672.00

1 Green houses @ \$6.45 Material & \$1.75 to erect,

$2520 \text{ square feet} \times \$8.13 =$

20,664.00

Frame Extension 720 square feet @ \$3.50 =

2,520.00

Adjusted Replacement Cost on Greenhouses

\$173,856.00

8. WEST SHED - $37.6 \times 108 \times 16 = 4050$ SQUARE FEET - 1975

Agricultural Quality - Equipment Shed - Class II, av.

Average quality - no electrical, no plumbing, but steel

girders with steel siding - estimated cost of \$8.50 square feet

$4050 @ \$8.50$

Adjusted Replacement Cost on West Shed

\$34,425.00

9. BREAK ROOM - 11×17

Class 1 - small shed - 187 square feet @ \$13.49

2,522.63

Addition

5% of cost for electrical

126.15

Adjusted Replacement Cost on Break Room

\$2,648.78

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10. REISHI LAB - (320 square feet) - (120 square feet)

Plumbed

Minimum Electrical

440 Square feet @ \$34.30

Estimated Replacement Cost on Above

\$15,092.00

11. EXTRACTION LAB

Wood frame structure, completed with no foundation

400 Square feet @ \$34.30 = \$13,720.00

Estimated Replacement Cost on Above

\$13,720.00

12. MOBILE HOME

Estimated ACV (MKT)

\$4,500.00

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SUGGESTED DEPRECIATION OR ACV TOTALS

1. DWELLING - SOLARIUM & DECK

Replacement Cost	\$104,087.76	- 5 years old	1994
Class 2	<u> x.90%</u>		
	\$93,678.99		

2. OFFICE	- Replacement Cost	\$52,585.08	- 24 years old	1975
	Class 3	<u> x.63%</u>		
		\$33,128.60		

Refurbished so decreased the depreciation factor from 47% to 37%

3. STEEL BUILDING-Replacement Cost	\$715,280.00	1975
	<u> x.55%</u>	
	\$393,404.00	

4. CONCRETE TUNNELS - Replacement cost	\$101,376.00
	<u> x.55%</u>
	\$ 55,756.80

5. SHADE HOUSE	Replacement cost	\$ 10,018.80	1998
		<u> x.94%</u>	
		\$ 9,417.68	

6. FRUIT STAND	Replacement cost	\$ 4,503.68
		<u> x.81%</u>
		\$ 3,647.98

7. GREENHOUSES	Replacement cost	\$173,856.00	1994 to 1997
		<u> x.75%</u>	
		\$130,392.00	

8. WEST SHED	Replacement cost	\$ 34,425.00	1975
		<u> x.42%</u>	
		\$ 14,458.50	

9. BREAK ROOM	Replacement cost	\$ 2,648.78	1975
		<u> x.52%</u>	
		\$ 1,377.37	

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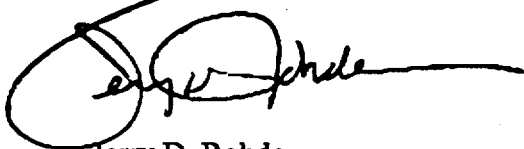
10. REISHI LAB	Replacement cost	\$ 15,092.00	New
		<u>x.98%</u>	
		\$ 14,790.16	
11. EXTRACTION LAB	Replacement cost	\$ 13,720.00	
		<u>x.98%</u>	
		\$ 13,445.60	
12. MOBILE HOME		\$ 4,500.00	Market Value

In conclusion, the estimated replacement cost of the structures was \$1,232,093.10. The ACV was \$767,997.68.

This report does not consider miscellaneous items such as fuel tanks, paving, landscaping, water storage facilities, fencing, septic, well or other site improvements.

This completes my assignment. My service invoice is enclosed for your consideration. If questions, please call.

Very Truly Yours,



Jerry D. Rohde
MONTANA CLAIMS SERVICE OF KALISPELL, INC.

JDR/smb

August 9, 2001

MEL AND LERAH PARKER

REAL PROPERTY VALUES FOR REIMBURSEMENT

Dwelling	84,778.78
Solarium	8,095.02
deck	1,703.35
Office	33,128.60
Longshed	393,404.00
Tunnels	55,756.80
Shade House	9,417.67
Fruit Stand	3,647.98
Greenhouses	130,392.00
West Shed	14,458.50
Breakroom	1,377.37
Reishi Lab	14,790.16
Extraction Lab	13,445.60
Mobile Home	4,500.00
TOTAL/ RHODE	768,997.68
Fuel storage tank	3,257.00
Water Storage	3,657.00
Ashalt paving	50,400.00
Concrete Paving	19,017.00
TOAL/BARRIE	76,3310.00
TOTAL	844,328.68
Barries Fee	5,750.00
Mr Rhode Fee	1904.05
GRAND TOTAL:	851,982.73

EPA will replace the fence and site improvements so that cost is subtracted from the final total.

- Fencing 8100.00
- Site improvements 6,750.00

TOTAL SUBTRACTED 14,850.00

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY****REGION 8****999 18TH STREET - SUITE 800****DENVER, CO 80202-2466****<http://www.epa.gov/region08>**

Ref: EPR-ER

July 18, 2001

Mr. Jerry Rohde
Montana Claims Service
307 First Ave. East
Kalispell, Montana 59901

Subject: Casualty Evaluation of Parker Property at 5000 Highway 37 N., Libby, Lincoln County, Montana

Dear Mr. Rohde,

After our conversation the other day concerning the Parker Property located at 5000 Highway 37 North in Libby, Montana you asked for a brief background discussion of the EPA's clean-up actions on the Parker Property, and a discussion of our approach to giving a value to the buildings and real Property on the Parker's land. While I am not in a position to go into a detailed discussion of the EPA's negotiations with the Parkers, I can provide you with what I think will be a suitable context for your casualty of the property.

Last year, the EPA confirmed the presence of large amounts of amphibole asbestos on the Parker's property, all associated with the land's former use as part of W.R. Grace & Company's vermiculite mining operations. As a result of this contamination the EPA initiated a clean-up of the property. The clean up consists of the excavation of the contaminated soil on the property, along with the demolition and disposal of the buildings that occupied the property. At that time, the Parker's consented to the EPA's start of these operation, with the understanding that we would collectively come to a fair and equitable settlement for the items and buildings lost to the clean up.


To that end, an appraisal of the property and buildings was done by a certified appraiser, Lloyd Barrie out of Kalispell, Montana. Mr. Barrie's appraisal has served as the starting point for our settlement negotiations. In this report Mr. Barrie provides both an estimated replacement cost for the buildings, and a fully depreciated building value based on the current best use of the property. This has provided the general dollar range of our negotiations, to which both the EPA and Parker's would like to add one more piece. That is, an estimate of a casualty value for the properties in their state prior to demolition, in the event of their catastrophic loss. This would effectively describe what in fact happened to the buildings as a result of the EPA's actions.



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It is my understanding that the Parker's have hired you to make such an evaluation. I believe this will be very helpful to our efforts to come to an appropriate settlement with the Parkers, and I would offer you any information which I might provide to help your efforts. If you have any questions please call me, either in Libby at (406) 293-6194, or at my office in Denver, at (303) 312-6808.

Sincerely,



Paul R. Peronard
On Scene Coordinator
Libby Asbestos Site

Montana Claims Service of Kalispell
PO BOX 7865
Kalispell, MT 59904-7865

Date 8/3/2001

Claim Number: NONE
Policy Number: NONE
Insured: PARKER, MEL & LERAL
Claimant: None
Loss Date: 1/1/1998

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PARKER, MEL & LERAL
P.O. BOX 609
LIBBY, MT59923-

Our File Number: 68467

STATEMENT FOR SERVICES

Professional Services	1389.75
Clerical	301.65
Telephone	101.30
Auto Expense	102.60
Facsimile Charges	8.75
Total :	\$1.904.05

Please Remit to:
Montana Claims Service of Kalispell
PO Box 4504
Missoula, Mt 59806-4504
Federal ID Number: 81-0477966

Montana Claims Service

Kalispell

Date: 08/03/01

Time and Expense Detail
Date: 08/03/01

File Number: 68487

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Get	Date	Adjuster ID	A Code	Description	Rate	Units	Hours	Amount	Comments
11670	6/1/2001	4	205	Discuss w/insured's Attorn	\$54.50		0.20	10.90	Dx w/Erik Thuesen
11671	6/15/2001	4	1	Set up File & Index	\$9.75	1.00		9.75	Set up file & index
11672	6/18/2001	4	27	Travel	\$0.00		1.50	81.75	R/T to Libby and site (Pro-Rated)
11673	6/18/2001	4	28	Mileage	\$0.57	90.00		51.30	R/T Mileage to Libby (Pro-rated)
11674	6/18/2001	4	200	Discuss with insured	\$54.50		1.60	87.20	Dx w/client-visited site r/w documents
11675	6/26/2001	4	27	Travel	\$0.00		1.50	81.75	R/T to Libby and client home
11676	6/26/2001	4	28	Mileage	\$0.57	90.00		51.30	R/T mileage to client home in Libby (pro-rate
11677	6/26/2001	4	200	Discuss with insured	\$54.50		1.00	54.50	Dx w/client at home
11678	7/5/2001	4	704	Other Activity	\$54.50		0.30	16.35	Researched replacement costs
11679	7/5/2001	4	200	Discuss with insured	\$54.50		0.10	5.45	Returned clients call fr msg
11680	7/5/2001	4	22	Long Distance Telephone	\$1.00	1.00		1.00	
11681	7/10/2001	4	704	Other Activity	\$54.50		0.60	27.25	R3research time
11682	7/11/2001	4	704	Other Activity	\$54.50		0.20	10.90	Research Time
11683	7/11/2001	4	200	Discuss with insured	\$54.50		0.10	5.45	T/C Inard fr msg
11684	7/11/2001	4	22	Long Distance Telephone	\$1.00	1.00		1.00	
11685	7/12/2001	4	704	Other Activity	\$54.50		2.00	109.00	Research time
11686	7/12/2001	4	205	Discuss w/insured's Attorn	\$54.50		0.10	5.45	T/C Thuesen fr msg
11687	7/12/2001	4	22	Long Distance Telephone	\$1.00	1.00		1.00	
11688	7/12/2001	4	411	Consult Technical Expert	\$54.50		0.30	16.35	Conversation with Bob @ Hoopers re-values
11689	7/12/2001	4	411	Consult Technical Expert	\$54.50		0.10	5.45	T/C Jay @ Gardners in BLgs
11690	7/12/2001	4	411	Consult Technical Expert	\$54.50		0.40	21.80	Jay calls gives me info on values
11691	7/17/2001	4	200	Discuss with insured	\$54.50		0.20	10.90	T/C w/Mel brought him to date
11692	7/18/2001	4	205	Discuss w/insured's Attorn	\$54.50		0.20	10.90	Talked w/Eric Thuesen status
11693	7/18/2001	4	200	Discuss with insured	\$54.50		0.20	10.90	Inard called dx on conference call
11694	7/18/2001	4	22	Long Distance Telephone	\$1.00	1.00		1.00	
11695	7/18/2001	4	200	Discuss with insured	\$54.50		0.20	10.90	Inard calls we have converence w/EPA
11696	7/23/2001	4	200	Discuss with insured	\$54.50		0.20	10.90	Spoke w/Mel dx claim made appt
11697	7/24/2001	4	203	Estimate Insured's Loss	\$54.50		2.00	109.00	Research
11698	7/25/2001	4	203	Estimate Insured's Loss	\$54.50		2.40	130.80	Research
11699	7/26/2001	4	203	Estimate Insured's Loss	\$54.50		3.00	163.50	Research
11700	7/27/2001	4	200	Discuss with insured	\$54.50		0.70	38.15	Mel with Parkers
11701	7/30/2001	4	600	Report to Company	\$54.50		0.60	32.70	Report wk
11702	7/30/2001	4	200	Discuss with insured	\$54.50		0.10	5.45	Larah called re:status
11703	7/30/2001	4	200	Discuss with insured	\$54.50		0.20	10.90	Mel called reminded of extraction room
11704	8/1/2001	4	203	Estimate Insured's Loss	\$54.50		2.60	141.70	Report work/research
11705	8/2/2001	4	600	Report to Company	\$54.50		2.60	152.80	Rough final report
11706	8/2/2001	4	200	Discuss with insured	\$54.50		0.10	5.45	T/C Inard 5 x to fax line bz
11707	8/2/2001	4	204	Correspond with Insured	\$54.50		0.10	5.45	Fax sheet and info to insured
11708	8/2/2001	4	14	Fax Charges	\$1.75	5.00		8.75	
11709	8/2/2001	4	5	Clerical Charge	\$0.21	390.00		291.00	
11710	8/2/2001	4	21	Local Telephone Expense	\$0.07	390.00		97.30	
							25.50	1904.05	

**Montana Claims Service
Jerry D. Rohde
P.O. Box 7865
Kalispell, MT 59904
406-755-5141**

QUALIFICATIONS

- Adjusted, investigated and supervised multiple line insurance claims since 1970 including:
- *17 storm duty assignments including volcano (Mt. St. Helens, 1980) and earthquake (Northridge, 1994).
 - *Surety and Fidelity bond investigation and resolution
 - *Major arson and fraud investigations
 - *Litigation preparation and trial attendance
 - *Casualty investigations and adjustments from auto to construction defect, completed operations, property coverage analysis and resolution

WORK HISTORY

- *1970 to 1976, Safeco Insurance Company, Portland, OR, Adjuster in Charge
- *1976 to 1978, independent fire and allied lines adjuster
- *1978 to 1989, American States Insurance Company, Portland, OR, Branch Claims Mgr.
- *1990 to 1996, American States Insurance Company, Seattle, WA, Regional Claims Supervisor
- *1996 to Present, American States/Safeco Insurance Companies, SR Resident Claims Adjuster, Kalispell, MT

EDUCATION

- *Bachelor's Degree, Oregon State University
- *Associate in Claims, Insurance Institute of America

ACCOMPLISHMENTS

- *President, Oregon Claims Managers Council
- *Board Member, Oregon Casualty Adjuster's Association
- *Vice President, International Association of Arson Investigators, State of Washington
- *Instructor, Insurance Institute of America, Seattle, WA
- *Board Member, Arson Alarm Award Foundation, State of Washington
- *Instructor, Oregon State Insurance Commissioner's Office

REFERENCES

Richard Glassmeyer, retired, former Regional Vice President, American States Insurance Co., Portland, OR
17895 SW Sioux Ct, Tualatin, OR 97062 (503)692-0409

Dale Zeigler, retired, former Helena Branch Claims Mgr. American States/Safeco Insurance Co.
5720 Rainbow Dr, Helena, MT 59602 (406)458-8111

Robert Scott, retired, former Regional Claims Supervisor, American States/Safeco Insurance Co.
6309 S. Regal, Spokane, WA 99223 (509)443-8367